

TAX, RETIREMENT
 & ESTATE PLANNING
 SERVICES

INVESTMENT INSIGHT



The value of naming a beneficiary – Ontario

Use Manulife segregated fund contracts and Guaranteed Interest Contracts (GICs) to bypass probate and save money.

In Ontario, the value of naming a beneficiary can be significant. If you name a beneficiary, an insurance company is obligated, under the *Insurance Act*, to pay any death benefit proceeds to the named beneficiary on record. Because the death benefit proceeds do not pass through the estate, they not only avoid the delays of settling the estate but also bypass probate and other estate administration fees. In Ontario,

probate fees on assets over \$50,000 are 1.5 per cent. Other estate administration, accounting and legal fees could be another five per cent or more depending on the complexity of the estate. Bypassing probate also preserves confidentiality as probate is a matter of public record; payments made by insurance companies are a private matter.

The value of bypassing probate Based on \$200,000 example in Ontario

FEE	STRUCTURE	MUTUAL FUND (\$)	SF OR GIC ¹ (\$)
DSC	0% to 6% (4.5% used in this example) ²	9,000	0
Probate fee	\$250 + \$15 per \$1,000 > \$50,000	2,365	0
Estate Administration Fees	Executor: Varies by province (up to 5% for corporate executors) Legal and Accounting: Varies depending complexity (Total fees: 1.5% of assets used in this example)	2,865	0
Total cost		14,230³	0

For illustration purposes only. Costs will vary depending on the province, complexity of the estate and length of time the assets were held in the contract. This table illustrates a scenario of what could happen if an investor were to die in the fourth year of a contract with DSC applicable at a fourth-year rate (4.5%).

¹ Refers to segregated fund contract and Manulife Investments Guaranteed Interest Contract.

² Many fund companies, including Manulife Investments, may waive the DSC or low-load sales charge on the death of the owner.

³ DSC is calculated based on original cost. Other estate fees are based on the value of the contract less DSC charged on the redemption.